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UNCLAS SECTION 01 OF 02 CAIRO 003022

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STATE FOR NEA/ELA, NEA/RA
USTR FOR DONNELLY
COMMERCE FOR 4520/ITA/ANESA/OBERG

E.O. 12958: N/A
TAGS: [ECON](#) [ETRD](#) [PREL](#) [IS](#) [EG](#)
SUBJECT: EGYPT AND ISRAEL REQUEST USG TO EXPAND QIZ TO
UPPER EGYPT

REF: 2006 CAIRO 7219

¶1. (U) The GOE and Government of Israel are jointly requesting that USTR expand the Qualified Industrial Zone (QIZ) agreement to cover several cities in Upper Egypt. In a letter to USTR Schwab dated October 9, GOE Trade Minister Rachid Rachid and Israeli Minister of Industry, Trade and Labor Eliyahu Yishai request that USTR designate areas surrounding the cities of Al Fayium, Beni Suwayf, Al Minya, Assuit, Suhag, Qena, Luxor, and Aswan as eligible for duty-free exports to the United States under the agreement. The text of the letter follows. Embassy will forward to the Department the original letter and a map indicating the boundaries of the proposed expansion.

¶2. (U) The GOE, GOI, and USG signed the QIZ agreement in December 2004 to permit duty-free access to the United States for products that contain a certain percentage of Israeli content (reftel). Currently, the QIZ program covers particular industrial areas in parts of the Nile Delta, Suez Canal cities, Cairo and Alexandria. USTR approved one expansion of the program -- to cover certain areas in and around Ismailia and Mahalla -- in 2005.

¶3. (U) The GOE and Government of Israel also agreed on October 9 to reduce the required level of Israeli content in QIZ products from 11.7 percent to 10.5 percent (septel).

¶4. (SBU) Comment: Unlike the industrial areas previously designated for the QIZ, the areas of upper Egypt now proposed for QIZ expansion are in general underdeveloped and lack easy access to transportation and industrial infrastructure. The GOE interest in this proposal appears more political than economic: an attempt to demonstrate that President Mubarak is working to fulfill his promises to promote economic development in Upper Egypt. However, some Egyptian industrialists appear genuinely interested in QIZ expansion in the area. One factory owner told econoff he would like to develop processed food factories in Upper Egypt for QIZ exports, although textile exports will remain the primary attraction for QIZ investors. End comment.

¶5. (U) Begin text of letter.

The Government of the Arab Republic of Egypt

The Government of the State of Israel

H.E. Ambassador Susan C. Schwab
United States Trade Representative
Washington D.C.

October 9, 2007

Your Excellency,

Reference to the protocol signed on December 14, 2004 between the Government of the Arab Republic of Egypt and the Government of the State of Israel on Qualifying Industrial Zones.

We have the pleasure to inform you that the last three years that witnessed the launch and implementation of the above-mentioned Protocol has shown positive results in terms of meeting the expectations of our two countries and achieving the objectives of Proclamation no. 6955 of the President of the United States of America and section 9 of the United States - Israel Free Trade Area Implementation Act of 1985, as amended.

To maximize the benefits of the protocol and maintain the momentum that consolidates cooperation between the business communities in the two countries, we have the honor to request the approval of the USTR to expand, for the purpose of the protocol, the boundaries of the existing QIZ areas and designating as QIZ the following zone:

- Upper Egypt (Al Fayium, Beni Suwayf, Al Minya, Assuit, Suhag, Qena, Luxor, Aswan, map is enclosed)

Upon receiving your approval the Egyptian Government shall supply the USTR with any required data.

Please accept Your Excellency our thanks and the assurances of our highest consideration,

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Yours sincerely,

Rachid Mohamed Rachid
Minister of Trade and Industry
Arab Republic of Egypt

Eliyahu Yishai
Deputy Prime Minister
Minister of Industry, Trade and Labor
State of Israel
JONES